

CITY OF ROSE HILL, KANSAS
Rose Hill, Kansas

Financial Statements
December 31, 2010

with
Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

The Mayor and City Council
City of Rose Hill, Kansas

We have audited the accompanying financial statements of the individual funds of the City of Rose Hill, Kansas, as of and for the year ended December 31, 2010 as listed in the table of contents. These financial statements are the responsibility of the management of the City of Rose Hill, Kansas. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the City's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each of the various funds of the City of Rose Hill, Kansas, as of December 31, 2010, and the revenues received and expenditures paid of such funds for the year then ended on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the City Council and management of the City of Rose Hill, Kansas and for filing with the Kansas Department of Administration, Division of Accounts and Reports and should not be used for any other purpose.

April 27, 2011

Peterson Peterson & Goss, LC

CITY OF ROSE HILL, KANSAS
Financial Statements
December 31, 2010

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CITY OF ROSE HILL, KANSAS
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Ending Cash Balance
Governmental Funds:						
General	\$ 231,355	\$ 1,169,350	\$ 1,089,858	\$ 310,847		\$ 310,847
Special Revenue Funds:						
Employee Benefit	63,485	260,059	266,001	57,543		57,543
Library	-	82,328	82,328	-		-
Special Street and Highway	56,431	127,316	115,781	67,966		67,966
Special Parks and Recreation	5,661	1,446	-	7,107		7,107
Equipment Reserve	37,441	5,000	420	42,021		42,021
Capital Improvement Reserve	30,448	7,500	-	37,948		37,948
Historical Building	70	4,000	4,000	70		70
Police Computer Grant	(27)	74,816	74,771	18		18
Park Equipment	(14,500)	14,500	-	-		-
Street Sales Tax	-	355,081	9,572	345,509		345,509
Capital Projects	597,989	2,481,328	2,703,863	375,454		375,454
Debt Service Fund:						
Bond and Interest	127,892	656,270	684,632	99,530		99,530
Proprietary Funds:						
Water Utility:						
Water Utility Operating	316,224	699,172	714,495	300,901		300,901
Water Utility Revenue Bond Debt Service	25,895	113,687	139,582	-		-
Water Utility Revenue Bond Reserve	162,500	-	-	162,500		162,500
Water Utility Depreciation and Replacement	50,000	-	-	50,000		50,000
Water Utility Reserve	111,095	-	21,950	89,145		89,145
Total Water Utility	665,714	812,859	876,027	602,546	-	602,546
Sewer Utility:						
Sewer Utility Operating	580,394	1,122,726	901,186	801,934		801,934
Sewer Utility Reserve	116,037	-	9,900	106,137		106,137
Waste Water Treatment Facility	(6,070)	230,728	289,691	(65,033)	62,834	(2,199)
Total Sewer Utility	690,361	1,353,454	1,200,777	843,038	62,834	905,872
Total Reporting Entity (Excluding Agency Funds)	\$ 2,492,320	\$ 7,405,307	\$ 7,108,030	\$ 2,789,597	\$ 62,834	\$ 2,852,431

Composition of Cash:

Rose Hill Bank:	
Checking Accounts	\$ 1,989,807
Certificate of Deposit	566,362
Emprise Bank:	
Certificate of Deposit	320,613
Petty Cash	855
Total Cash	2,877,637
Agency Funds per Statement 4	(25,206)
Total Reporting Entity (Excluding Agency Funds)	\$ 2,852,431

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2010

Funds	Certified Budget	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
General	\$ 1,229,820	\$ 1,089,858	\$ 139,962
Special revenue:			
Employee Benefit	287,600	266,001	21,599
Library	95,789	82,328	13,461
Special Street and Highway	150,560	115,781	34,779
Debt Service:			
Bond and Interest	750,000	684,632	65,368
Proprietary:			
Water Utility Operating	753,700	714,495	39,205
Sewer Utility Operating	915,485	901,186	14,299

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
General Fund
For the Year Ended December 31, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property tax	\$ 630,962	\$ 613,682	\$ (17,280)
Delinquent tax	-	10,744	10,744
Motor vehicle tax	85,149	83,182	(1,967)
Liquor tax	2,200	1,446	(754)
Franchise fees	160,000	226,048	66,048
Court costs	8,500	8,792	292
Licenses, permits and fees	25,000	34,038	9,038
Fines, forfeitures and penalties	40,000	43,038	3,038
Project inspection	2,500		(2,500)
Rents	20,000	34,635	14,635
Interest	18,000	7,123	(10,877)
Other	5,000	1,658	(3,342)
Reimbursed expense, etc.	55,210	99,336	44,126
E911 reimbursed from AT&T	7,500	5,628	(1,872)
Total Cash Receipts	<u>1,060,021</u>	<u>1,169,350</u>	<u>109,329</u>
Expenditures:			
General administration	327,000	285,249	41,751
Police	563,250	530,456	32,794
Streets	69,950	53,539	16,411
Parks	153,120	105,818	47,302
Planning	39,000	38,531	469
Other	65,000	63,765	1,235
Transfer to:			
Equipment Reserve Fund	5,000	5,000	-
Capital Improvement Reserve Fund	7,500	7,500	-
Total Expenditures	<u>1,229,820</u>	<u>1,089,858</u>	<u>139,962</u>
Receipts Over (Under) Expenditures	(169,799)	79,492	249,291
Unencumbered Cash, Beginning	<u>169,799</u>	<u>231,355</u>	<u>61,556</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 310,847</u>	<u>\$ 310,847</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Employee Benefit Fund
For the Year Ended December 31, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property tax	\$ 202,075	\$ 196,602	\$ (5,473)
Delinquent tax	-	4,092	4,092
Motor vehicle tax	40,010	38,474	(1,536)
Other	2,000	20,891	18,891
Total Cash Receipts	<u>244,085</u>	<u>260,059</u>	<u>15,974</u>
Expenditures:			
Social security	60,000	52,462	7,538
Unemployment	600	307	293
KPERS	48,000	48,308	(308)
Worker compensation insurance	22,000	18,979	3,021
Insurance	140,000	143,595	(3,595)
Other	17,000	2,350	14,650
Total Expenditures	<u>287,600</u>	<u>266,001</u>	<u>21,599</u>
Receipts Over (Under) Expenditures	(43,515)	(5,942)	37,573
Unencumbered Cash, Beginning	<u>43,515</u>	<u>63,485</u>	<u>19,970</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 57,543</u>	<u>\$ 57,543</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Library Fund
For the Year Ended December 31, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property tax	\$ 71,763	\$ 69,844	\$ (1,919)
Delinquent tax		1,303	1,303
Motor vehicle tax	11,456	11,181	(275)
Other	12,070	-	(12,070)
Total Cash Receipts	95,289	82,328	(12,961)
Expenditures:			
Appropriation to Rose Hill Public Library		82,328	(82,328)
Personal services	45,011		45,011
Contractual services	26,050		26,050
Commodities	9,600		9,600
Capital outlay	15,128		15,128
Total Expenditures	95,789	82,328	13,461
Receipts Over (Under) Expenditures	(500)	-	500
Unencumbered Cash, Beginning	500	-	(500)
Unencumbered Cash, Ending	\$ -	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Special Street and Highway Fund
For the Year Ended December 31, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Taxes and Shared Revenue:			
County gas tax	\$ 19,160	\$ 17,926	\$ (1,234)
State gas tax	114,790	109,120	(5,670)
Other	500	270	(230)
Total Cash Receipts	<u>134,450</u>	<u>127,316</u>	<u>(7,134)</u>
Expenditures:			
Personal services	59,000	55,413	3,587
Commodities	37,100	45,440	(8,340)
Contractual services	34,460	6,941	27,519
Capital outlay	20,000	7,987	12,013
Total Expenditures	<u>150,560</u>	<u>115,781</u>	<u>34,779</u>
Receipts Over (Under) Expenditures	(16,110)	11,535	27,645
Unencumbered Cash, Beginning	<u>39,484</u>	<u>56,431</u>	<u>16,947</u>
Unencumbered Cash, Ending	<u>\$ 23,374</u>	<u>\$ 67,966</u>	<u>\$ 44,592</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Special Parks and Recreation Fund
For the Year Ended December 31, 2010

Cash Receipts:	
State of Kansas - liquor tax	<u>\$ 1,446</u>
Receipts Over (Under) Expenditures	1,446
Unencumbered Cash, Beginning	<u>5,661</u>
Unencumbered Cash, Ending	<u><u>\$ 7,107</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Equipment Reserve Fund
For the Year Ended December 31, 2010

Cash Receipts:	
Transfer from General Fund	\$ 5,000
Expenditures:	
Capital outlay	<u>420</u>
Receipts Over (Under) Expenditures	4,580
Unencumbered Cash, Beginning	<u>37,441</u>
Unencumbered Cash, Ending	<u>\$ 42,021</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Capital Improvement Reserve Fund
For the Year Ended December 31, 2010

Cash Receipts:	
Transfer from General Fund	<u>\$ 7,500</u>
Receipts Over (Under) Expenditures	7,500
Unencumbered Cash, Beginning	<u>30,448</u>
Unencumbered Cash, Ending	<u><u>\$ 37,948</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Historical Building Fund
For the Year Ended December 31, 2010

Cash Receipts:	
Historical Society	\$ 4,000
Expenditures:	
Principal payment	<u>4,000</u>
Receipts Over (Under) Expenditures	-
Unencumbered Cash, Beginning	<u>70</u>
Unencumbered Cash, Ending	<u>\$ 70</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Police Computer Grant Fund
For the Year Ended December 31, 2010

Cash Receipts:	
Grant awards - federal	\$ 74,816
Expenditures:	
Capital outlay	<u>74,771</u>
Receipts Over (Under) Expenditures	45
Unencumbered Cash, Beginning	<u>(27)</u>
Unencumbered Cash, Ending	<u>\$ 18</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Park Equipment Fund
For the Year Ended December 31, 2010

Cash Receipts:	
Grant awards - state	<u>\$ 14,500</u>
Receipts Over (Under) Expenditures	14,500
Unencumbered Cash, Beginning	<u>(14,500) *</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>

* - Grant fund not subject to cash basis law

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Street Sales Tax Fund
For the Year Ended December 31, 2010

Cash Receipts:	
Sales tax - state	\$ 242,537
Residual equity transfer from Capital Projects	112,544
Total Cash Receipts	<u>355,081</u>
Expenditures:	
Street repairs	<u>9,572</u>
Receipts Over (Under) Expenditures	345,509
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ 345,509</u></u>

* - Grant fund not subject to cash basis law

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Capital Projects Fund
For the Year Ended December 31, 2010

	Sewer Lift Upgrades	Rose Hill Industrial Park	Arterial Street Improvements	East Rosewood Project	WWTF Admin Building	Street Sales Tax	Sunrise Addition	Rockwood Addition	East Silkknitter Street Project	Cox Acres Street Project	Total
Cash Receipts:											\$ -
Sales tax											-
Transfers								148,773			149,123
Reimbursement			350					957,625	690,820		1,727,205
Bond proceeds				78,760						605,000	605,000
Temporary note proceeds										605,000	605,000
Total Cash Receipts	-	-	350	78,760	-	-	-	1,106,398	690,820	605,000	2,481,328
Expenditures:											
Construction and engineering		(875)	52,515	78,700	11,305		330	199,669	359,180	590,486	1,291,310
Residual equity transfer						112,544					112,544
Transfer to Bond and Interest								15,920			15,920
Principal payments - note and loan			130,494					1,075,000			1,205,494
Interest payments - note and loan			36,282					42,313			78,595
Total Expenditures	-	(875)	219,291	78,700	11,305	112,544	330	1,332,902	359,180	590,486	2,703,863
Receipts Over (Under) Expenditures	-	875	(218,941)	60	(11,305)	(112,544)	(330)	(226,504)	331,640	14,514	(222,535)
Unencumbered Cash, Beginning	4,423	(875)	576,022	(60)	11,305	112,544	(737)	226,504	(331,137)	-	597,989
Unencumbered Cash, Ending	\$ 4,423	\$ -	\$ 357,081	\$ -	\$ -	\$ -	\$ (1,067)	\$ -	\$ 503	\$ 14,514	\$ 375,454

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Bond and Interest Fund
For the Year Ended December 31, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property tax	\$ 108,315	\$ 105,311	\$ (3,004)
Delinquent tax		2,578	2,578
Motor vehicle tax	28,581	27,088	(1,493)
Special assessments	445,000	459,654	14,654
Interest	6,200	5,369	(831)
Other		350	350
Transfers from:			
Water Utility Operating Fund	20,000	20,000	-
Sewer Utility Operating Fund	20,000	20,000	-
Capital Projects fund - Rockwood Falls	-	15,920	15,920
Total Cash Receipts	<u>628,096</u>	<u>656,270</u>	<u>28,174</u>
Expenditures:			
Principal payments	480,000	404,223	75,777
Principal payments - PBC		55,000	(55,000)
Additional debt reduction	15,000		15,000
Interest expense	230,000	175,511	54,489
Interest expense - PBC		49,010	(49,010)
Fiscal fees and commissions	15,000	888	14,112
Other	10,000		10,000
Total Expenditures	<u>750,000</u>	<u>684,632</u>	<u>65,368</u>
Receipts Over (Under) Expenditures	(121,904)	(28,362)	93,542
Unencumbered Cash, Beginning	<u>121,904</u>	<u>127,892</u>	<u>5,988</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 99,530</u>	<u>\$ 99,530</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Water Utility Operating Fund
For the Year Ended December 31, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Charges for services	\$ 643,000	\$ 684,368	\$ 41,368
Connection fees	10,000	6,670	(3,330)
Interest	10,000	7,530	(2,470)
Other	200	400	200
Reimbursed expenses	1,000	204	(796)
Total Cash Receipts	<u>664,200</u>	<u>699,172</u>	<u>34,972</u>
Expenditures:			
Personal services	242,200	206,734	35,466
Commodities	42,000	86,639	(44,639)
Contractual services	122,500	66,936	55,564
Professional division	6,500	5,161	1,339
Capital outlay	7,500	4,379	3,121
Water purchases	150,000	210,959	(60,959)
Transfer to:			
Bond and Interest Fund	20,000	20,000	-
Water Utility Revenue Bond Debt Service Fund	163,000	113,687	49,313
Total Expenditures	<u>753,700</u>	<u>714,495</u>	<u>39,205</u>
Receipts Over (Under) Expenditures	(89,500)	(15,323)	74,177
Unencumbered Cash, Beginning	<u>250,971</u>	<u>316,224</u>	<u>65,253</u>
Unencumbered Cash, Ending	<u>\$ 161,471</u>	<u>\$ 300,901</u>	<u>\$ 139,430</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Water Utility Revenue Bond Debt Service Fund
For the Year Ended December 31, 2010

Cash Receipts:	
Bond proceeds	113,687
Transfer from Water Utility Operating Fund	<u>113,687</u>
Total Cash Receipts	
Expenditures:	
Principal	125,000
Interest	14,313
Fiscal fees/commission	<u>269</u>
Total Expenditures	<u>139,582</u>
Receipts Over (Under) Expenditures	(25,895)
Unencumbered Cash, Beginning	<u>25,895</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Water Utility Revenue Bond Reserve Fund
For the Year Ended December 31, 2010

Unencumbered Cash, Beginning	<u>\$ 162,500</u>
Unencumbered Cash, Ending	<u><u>\$ 162,500</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Water Utility Depreciation and Replacement Fund
For the Year Ended December 31, 2010

Unencumbered Cash, Beginning	<u>\$ 50,000</u>
Unencumbered Cash, Ending	<u><u>\$ 50,000</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Water Utility Reserve Fund
For the Year Ended December 31, 2010

Expenditures:	
Capital outlay	<u>\$ 21,950</u>
Receipts Over (Under) Expenditures	(21,950)
Unencumbered Cash, Beginning	<u>111,095</u>
Unencumbered Cash, Ending	<u><u>\$ 89,145</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Sewer Utility Operating Fund
For the Year Ended December 31, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Charges for services	\$ 365,000	\$ 560,984	\$ 195,984
Sewer system improvement fee	250,000	516,599	266,599
Connection fees	2,500	25,500	23,000
Interest	7,500	14,437	6,937
Reimbursed expense	2,000	5,206	3,206
Total Cash Receipts	627,000	1,122,726	495,726
Expenditures:			
Personal services	206,735	201,614	5,121
Commodities	22,650	105,996	(83,346)
Contractual services	151,600	69,597	82,003
Professional division	15,000	12,162	2,838
Capital outlay	25,000	20,427	4,573
Debt service	474,500	471,390 *	3,110
Transfer to:			
Bond and Interest Fund	20,000	20,000	-
Total Expenditures	915,485	901,186	14,299
Receipts Over (Under) Expenditures	(288,485)	221,540	510,025
Unencumbered Cash, Beginning	387,416	580,394	192,978
Unencumbered Cash, Ending	\$ 98,931	\$ 801,934	\$ 703,003

* Principal	298,841
Interest	157,141
Total	<u>\$ 455,982</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Sewer Utility Reserve Fund
For the Year Ended December 31, 2010

Expenditures:	
Capital outlay	\$ 9,900
	<u> </u>
Receipts Over (Under) Expenditures	(9,900)
	<u> </u>
Unencumbered Cash, Beginning	116,037
	<u> </u>
Unencumbered Cash, Ending	<u><u>\$ 106,137</u></u>

The notes to the financial statements are an integral part of this statement.

*

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Waste Water Treatment Facility Fund
For the Year Ended December 31, 2010

Cash Receipts:	
KDHE Loan Funds	\$ 230,728
Expenditures:	
Construction and engineering	<u>289,691</u>
Receipts Over (Under) Expenditures	(58,963)
Unencumbered Cash, Beginning	<u>(6,070)</u>
Unencumbered Cash, Ending	<u><u>\$ (65,033) *</u></u>

* - Capital construction fund not subject to cash basis law

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Disbursements
Agency Funds
For the Year Ended December 31, 2010

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Customer meter deposits	\$ 11,676	\$ 3,600	\$ 3,072	\$ 12,204
Payroll withholding	1,731	171,574	171,723	1,582
ADSAP Court	2,015	-	-	2,015
Community Policing	800	6,651	1,080	6,371
Veterans Memorial	-	3,034	-	3,034
Total	<u>\$ 16,222</u>	<u>\$ 184,859</u>	<u>\$ 175,875</u>	<u>\$ 25,206</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Notes to Financial Statements
December 31, 2010

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of the City of Rose Hill, Kansas (the City) is presented to assist in understanding the City's financial statements. The financial statements and notes are representations of the City's management, who is responsible for their integrity and objectivity. These accounting policies conform to a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Reporting Entity

The City of Rose Hill is a municipal corporation governed by an elected five-member council. These financial statements present the City of Rose Hill (the primary government). A component unit, The Public Building Commission, is not included in these financials since its operations are not material in respect to the operations of the City as a whole. The Rose Hill Public Library, a component unit of the City of Rose Hill, is presented in a separate audit report. The Library taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. Acquisition or disposition of real property must have the approval of the City Council.

Basis of Presentation

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the City of Rose Hill, Kansas for the year 2010:

Governmental Funds:

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

Capital Projects Fund - to account for financial resources segregated for the acquisition of major capital facilities (other than those financed by Enterprise Funds).

CITY OF ROSE HILL, KANSAS

Notes to Financial Statements

December 31, 2010

1. Summary of Significant Accounting Policies (continued)

Debt Service Fund - to account for the accumulation of resources for and the payment of, interest and principal on long-term debt.

Proprietary Funds:

Enterprise Funds - to account for operations that are financed and operated in a manner similar to a private business enterprise, where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City operates the sewer utility and the water utility.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a waiver from generally accepted accounting principles, allowed by the State of Kansas, which permits the municipality to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings and equipment owned by the City are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements.

CITY OF ROSE HILL, KANSAS

Notes to Financial Statements

December 31, 2010

2. Budget and Tax Cycle

Kansas Statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds, certain special revenue funds and certain proprietary bond funds.

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

CITY OF ROSE HILL, KANSAS
Notes to Financial Statements
December 31, 2010

3. Defined Benefit Pension Plan

Plan Description

The City of Rose Hill contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statutes for 1/1/10 to 12/31/10 is 7.14%. The City of Rose Hill employer contributions to KPERS for the years ending December 31, 2010, 2009 and 2008 were \$67,943, \$48,720, and \$51,004, respectively, equal to the required contributions for each year.

4. Special Assessments

Projects, financed in part by special assessments, are financed through general obligation bonds of the City and are retired from the Debt Service Fund. Special assessments paid prior to the issuance of the bonds are recorded as revenue in the appropriate project account. Special assessments received after the issuance of bonds are recorded as revenue in the Debt Service Fund.

5. Capital Projects

At year-end, capital project authorizations, with approved change orders, compared with expenditures from inception are as follows:

<u>Current Projects</u>	<u>Project Authorization</u>	<u>Expenditures to Date</u>
Waste Water Treatment Facility	8,189,400	7,694,380
Waste Water Treatment Facility – Admin.	748,000	720,847
Sunrise Addition	--	1,067
East Silkknitter St.	685,341	644,534
Cox Acres Street	665,500	590,486

CITY OF ROSE HILL, KANSAS
Notes to Financial Statements
December 31, 2010

6. Temporary Notes

Upon authorization for the issuance of general obligation bonds for certain improvements, Kansas law permits the temporary financing of such improvements by the issuance of temporary notes. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance. Temporary notes outstanding are retired from proceeds received from the sale of general obligation bonds.

7. Compensated Absences

All employees of the City, except temporary and part-time employees, accumulate vacation leave at a rate of 6.67 hours per month during their first five years of employment. The rate of accumulation increases to 8 hours per month after five years of employment, 10 hours per month after ten years of employment, and 12 hours per month after fifteen years of employment. An employee can carry over to a new year only that amount of vacation leave that was accumulated during the year. Employees are paid for all accumulated vacation leave, at their current wage rate, upon termination of employment. All employees except temporary and part-time employees accumulate sick leave at a rate of 8 hours per month. Sick leave can be accumulated up to 720 hours. Sick leave is paid out upon termination, with two weeks notice, at the rate of one-fourth, up to 50 hours of credited sick leave for employees with at least two years of service. Upon retirement, with six months notice and five years of service, one-half, up to 100 hours of credited sick leave, will be paid out. The cost of accumulated vacation and sick leave are recorded in the financial statements at the time payments are made to employees. The estimated liability at December 31, 2010 if all employees with accumulated vacation and sick leave were to terminate employment would be \$63,121.

8. Deposits

At year-end the carrying amounts of the City's deposits including certificates of deposit, were \$2,877,638. The bank statement balances were \$3,027,018. The differences between the carrying amounts and the bank balances was outstanding checks. Of the bank balances, \$500,000 was covered by FDIC insurance and \$2,527,018 was collateralized by pledged securities held under joint custody receipts issued by third party banks in the City's name. The third party bank holding the pledged securities are independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the City, the pledging bank and the independent third-party bank holding the pledged securities.

CITY OF ROSE HILL, KANSAS
Notes to Financial Statements
December 31, 2010

9. Compliance with Kansas Statutes

The City was in violation of K.S.A. 9-1402 regarding the adequate pledging of securities for a few days two different times during the year.

Management is aware of no other statutory violations for the year ended December 31, 2010.

10. Interfund Transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
General Fund	Capital Improvement Reserve Fund	\$ 7,500
General Fund	Equipment Reserve Fund	5,000
Water Utility Operating Fund	Bond and Interest Fund	20,000
Water Utility Operating Fund	Water Revenue Bond Debt Service Fund	113,687
Sewer Utility Operating Fund	Bond and Interest Fund	20,000

Residual equity transfers were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
Capital Projects - Rockwood Falls	Bond and Interest Fund	\$ 15,920

11. Waterworks System Revenue Bonds – Series 1999

The bond resolution on the refunded Waterworks System Revenue Bonds – Series 1999 contains certain covenants and provisions relating to the operation of the system and payments of the bonds and interest. In addition certain funds, such as the Debt Service Account, the Debt Service Reserve Account, and the Depreciation and Replacement Account are required to be funded and/or maintained. These Bonds were refunded with the Series 2009-2 Water Utility System Refunding bonds. The accounts required to be funded will be transferred to the Water Reserve Fund in 2011.

12. Operating Leases

The City leases a postage machine from Pitney Bowes at a cost of \$70 per month.

13. Water Utility

All water sold is purchased from the City of Wichita, Kansas under contract.

CITY OF ROSE HILL, KANSAS
Notes to Financial Statements
December 31, 2010

14. Conduit Debt Obligations

From time to time, the city has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and/or construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision therefore is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2010, there were two series of Rose Hill Health Services, L.L.C. Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$1,070,000.

15. Public Building Commission

The City is acting as trustee for funds of The Public Building Commission (PBC). The Commission is a component unit of the City and is a municipal corporation organized pursuant to K.S.A. 12-1757 et seq. The component unit is not required to be audited under Kansas law.

The PBC constructed the new City Hall/Police Department building in 2003, using the proceeds of PBC revenue bonds in the amount of \$1,315,000. The bonds and interest are payable in annual and semi-annual installments beginning in 2004, with final maturities due in the year 2023. The City is leasing the building/facilities with annual payments that equal the bond and interest maturities of the PBC revenue bonds. The PBC has no other operations at the present time.

As of December 31, 2010, the principal amount payable was \$980,000.

16. Risk Management

The City manages risk primarily through the purchase of insurance coverage from commercial insurers.

17. Subsequent Events

The City adopted FASB ASC 855, *Subsequent Events*, effective for financial periods ending after June 15, 2009. The objective of FASB ASC 855 is to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or available to be issued. Subsequent events have been evaluated through April 27, 2011, which is the date the financial statements were available to be issued. Events requiring disclosure were identified and disclosed.

CITY OF ROSE HILL, KANSAS
Notes to Financial Statements
December 31, 2010

18. Long-Term Debt

Changes in long-term liabilities for the City for the year ended December 31, 2010 along with current maturities of long-term debt and interest for the next five years and in five-year increments through maturity are as follows:

CITY OF ROSE HILL, KANSAS
Schedule of Changes in Long-Term Debt
For the Year Ended December 31, 2010

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds:										
Internal improvements - Series 1999	4.6% to 6.0%	8/1/1999	1,531,000	10/1/2014	\$ 310,000		\$ 55,000		\$ 255,000	\$ 15,983
Internal improvements - Series 2000	5.7% to 6.75%	6/1/2000	393,000	10/1/2010	50,000		50,000		-	2,825
Internal improvements - Series 2002	3.9% to 5.5%	5/1/2002	800,000	10/1/2017	510,000		55,000		455,000	22,908
Internal improvements - Series 2004	3.15% to 4.2%	2/1/2004	1,445,000	10/1/2019	1,065,000		90,000		975,000	39,405
Internal improvements - Series 2004-2	4.25% to 5.0%	7/1/2004	437,000	10/1/2019	330,000		25,000		305,000	14,657
Internal improvements - Series 2005-1	0%	1/15/2005	252,000	1/15/2014	140,000		28,000		112,000	-
Internal improvements - Series 2006	3.5% to 5.4%	2/1/2006	590,000	10/1/2021	515,000		35,000		480,000	20,718
Internal improvements - Series 2008	3.75% to 4.75%	7/1/2008	762,000	10/1/2023	735,000		40,000		695,000	30,539
Internal improvements - Series 2009	4.15% to 5.90%	8/1/2009	455,000	10/1/2024	455,000		20,000		435,000	26,282
Water utility system refunding - Series 2009-2	1.6% to 3.00%	12/7/2009	835,000	9/1/2015	835,000		125,000		710,000	14,313
Taxable - Series 2009-3	5.75% to 6.75%	12/1/2009	460,000	10/1/2030	460,000		-		460,000	-
Internal improvements - Series 2010	2.75% to 5.25%	11/1/2010	956,000	10/1/2031	-	956,000	-		956,000	-
Total General Obligation Bonds					5,405,000	956,000	523,000	-	5,838,000	187,630
Temporary Notes:										
Internal improvements - Series 2009 -1	3.25%	9/1/2009	1,075,000	9/1/2011	1,075,000		1,075,000		-	42,313
Internal improvements - Series 2010-1					-	605,000			605,000	-
Total Temporary Notes					1,075,000	605,000	1,075,000	-	605,000	42,313
Revolving Loans:										
KWPCRF Project No. C20-1228-01	3.6%	11/30/1996	508,740	9/1/2017	308,621		33,985		274,636	9,937
Additional draws in 1999			115,456							
Additional draws in 2002			42,851							
KWPCRF Project No. C20-1630-01	2.86%	5/1/2003	311,967	9/1/2024	579,155		31,413		547,742	14,912
Additional draws in 2004			190,445							
Additional draws in 2005			307,256							
Additional draws in 2006			4,792							
KWPCRF Project No. C20-1720-01	2.50%	10/25/2007	5,800,000 *	9/1/2029	5,415,058	230,728	233,443		5,412,343	132,292
TRF Project No. TR 0007	3.62%	1/20/2004	562,925	8/1/2024	471,257		24,151		447,106	17,060
TRF Project No. TR 0083	3.74%	9/2/2008	400,000 *	8/1/2018	329,081	64,354	40,380		353,055	12,553
TRF Project No. TR 0123	3.41%	12/7/2009	690,120	8/1/2024	-	690,120	65,963		624,157	6,669
Total Revolving Loans					7,103,172	985,202	429,335	-	7,659,039	193,423
Capital Leases:										
Six police cars	5.4%	4/28/2006	129,376	4/28/2010	27,197		27,197		-	1,469
Two public works trucks	5.9%	4/26/2006	52,775	4/26/2010	11,142		11,142		-	657
Canon copy machine	8.50%	11/4/2004	9,589	10/4/2009	1		1		-	-
Historical building	4.25%	12/19/2008	50,000	1/1/2016	50,000		10,223		39,777	2,196
WWTF telephone system		5/31/2009	8,304	6/1/2013	7,093		2,076		5,017	-
Total Capital Leases					95,433	-	50,639	-	44,794	4,322
Total Contractual Indebtedness					13,678,605	2,546,202	2,077,974	-	14,146,833	427,688
Compensated Absences	N/A	N/A	N/A	N/A	57,931			5,190	63,121	
Total City					\$ 13,736,536	\$ 2,546,202	\$ 2,077,974	\$ 5,190	\$ 14,209,954	\$ 427,688
Public Building Commission Revenue Bonds:										
City Hall/Police Department - Series 2003	2.0% to 5.0%	5/1/2003	1,315,000	10/1/2023 **	\$ 1,035,000	\$ -	\$ 55,000	\$ -	\$ 980,000	\$ 49,010

* The full amount of the revolving loan has not been advanced, this statement shows the amount advanced, the schedule of maturities reflects the full amount of the revolving loan due.

** Presented for supplemental information only.

The notes to the financial statements are an integral part of this statement.

CITY OF ROSE HILL, KANSAS
Schedule of Maturity of Long-Term Debt
For the Year Ended December 31, 2010

	2011	2012	2013	2014	2015	2016-2020	2021-2025	2026-2030	2031-2035	Total
Principal:										
General obligation bonds	\$ 498,000	\$ 538,000	\$ 594,000	\$ 608,000	\$ 525,000	\$ 1,735,000	\$ 790,000	\$ 480,000	\$ 70,000	\$ 5,838,000
Temporary notes	605,000	-	-	-	-	-	-	-	-	605,000
Revolving loan program	414,868	423,130	436,287	449,863	463,870	2,296,642	2,234,019	1,331,567	-	8,050,246
Capital leases	8,635	8,913	7,993	7,431	7,746	4,076	-	-	-	44,794
Total Principal - City	<u>\$ 1,293,736</u>	<u>\$ 837,509</u>	<u>\$ 864,998</u>	<u>\$ 906,624</u>	<u>\$ 996,616</u>	<u>\$ 4,035,718</u>	<u>\$ 3,024,019</u>	<u>\$ 1,811,567</u>	<u>\$ 70,000</u>	<u>\$ 14,538,040</u>
Public Building Commission revenue bonds**	<u>\$ 55,000</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ 385,000</u>	<u>\$ 290,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 980,000</u>
Interest:										
General obligation bonds	\$ 224,101	\$ 253,033	\$ 200,691	\$ 178,719	\$ 155,578	\$ 510,984	\$ 225,474	\$ 87,075	\$ 2,800	\$ 1,838,455
Temporary notes	10,083	-	-	-	-	-	-	-	-	10,083
Revolving loan program	232,526	224,263	211,106	197,531	183,523	699,596	359,622	74,236	-	2,182,403
Capital leases	1,861	1,582	1,291	988	672	343	-	-	-	6,737
Total Interest - City	<u>\$ 413,290</u>	<u>\$ 377,347</u>	<u>\$ 347,294</u>	<u>\$ 314,618</u>	<u>\$ 339,773</u>	<u>\$ 1,210,923</u>	<u>\$ 585,096</u>	<u>\$ 161,311</u>	<u>\$ 2,800</u>	<u>\$ 4,037,678</u>
Public Building Commission revenue bonds**	<u>\$ 47,085</u>	<u>\$ 45,050</u>	<u>\$ 42,650</u>	<u>\$ 40,250</u>	<u>\$ 37,000</u>	<u>\$ 132,000</u>	<u>\$ 29,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 373,535</u>
Total Principal and Interest - City	<u>\$ 1,707,026</u>	<u>\$ 1,214,856</u>	<u>\$ 1,212,292</u>	<u>\$ 1,221,242</u>	<u>\$ 1,336,389</u>	<u>\$ 5,246,641</u>	<u>\$ 3,609,115</u>	<u>\$ 1,972,878</u>	<u>\$ 72,800</u>	<u>\$ 18,575,718</u>

* Full amount has not been advanced as reflected on the long-term debt payment schedule, this reflects the full amount due at maturity.

**Presented for supplemental information only.

The notes to the financial statements are an integral part of this statement.

ROSE HILL PUBLIC LIBRARY
(A Component Unit of City of Rose Hill, Kansas)

Financial Statements
December 31, 2010

with
Independent Auditors' Report

ROSE HILL PUBLIC LIBRARY
Financial Statements
December 31, 2010
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MEMBERS
GREGORY B. SEVIER, C.P.A.
JOHN B. GOSS, C.P.A.

PRINCIPALS
VONDA J. WILSON, C.P.A.
DENISE M. GUDENKAUF, C.P.A.
MATT T. HAASE, C.P.A.
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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OF COUNSEL
MARVIN W. NYE, C.P.A.

INDEPENDENT AUDITORS' REPORT

Board Of Trustees
Rose Hill Public Library

We have audited the accompanying financial statements of the individual funds of the Rose Hill Public Library (a component unit of Rose Hill, Kansas) as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Library's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally, accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of each of the various funds of the Rose Hill Public Library, as of December 31, 2010 and the revenues received and expenditures paid of such funds for the year then ended on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Board of Trustees and management of the Rose Hill Public Library, and for filing with the City of Rose Hill and should not be used for any other purposes.

Peterson Peterson & Goss, LC

April 27, 2011

ROSE HILL PUBLIC LIBRARY
Summary of Cash Receipts, Expenditures and Unencumbered Cash
Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash	Cash Receipts	Expenditures	Ending Unencumbered Cash	Add Outstanding Encumbrances	Ending Cash Balance
Governmental Fund Types:						
General	\$ 30,452	\$ 100,166	\$ 84,614	\$ 46,004	\$ -	\$ 46,004
Total	<u>\$ 30,452</u>	<u>\$ 100,166</u>	<u>\$ 84,614</u>	<u>\$ 46,004</u>	<u>\$ -</u>	<u>\$ 46,004</u>

Composition of Cash:	
Checking account - Rose Hill Bank	\$ 1,652
Money market account - Rose Hill Bank	44,352
Total	<u>\$ 46,004</u>

See notes to financial statements.

ROSE HILL PUBLIC LIBRARY
Summary of Expenditures - Actual and Budget
Year Ended December 31, 2010

<u>Fund</u>	<u>Certified Budget</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Favorable (Unfavorable)</u>
General	\$ 95,789	\$ 84,614	\$ 11,175

See notes to financial statements.

ROSE HILL PUBLIC LIBRARY
Statement of Cash Receipts and Expenditures - Actual and Budget
General Fund
Year Ended December 31, 2010

	Budget	Actual	Variance Over (Under)
Cash Receipts:			
Appropriation from City	\$ 83,219	\$ 82,328	\$ (891)
State of Kansas	2,550	2,266	(284)
SCKLS	6,770	13,881	7,111
Interest	650	540	(110)
Fines			-
Memorials, donations and grants	2,100	1,137	(963)
Other	-	14	14
Total Cash Receipts	<u>95,289</u>	<u>100,166</u>	<u>4,877</u>
Expenditures:			
Personal services	45,011	51,744	(6,733)
Contractual services	26,050	22,770	3,280
Commodities	9,600	1,950	7,650
Capital outlay	15,128	8,150	6,978
Total expenditures	<u>95,789</u>	<u>84,614</u>	<u>11,175</u>
Receipts Over (Under) Expenditures	(500)	15,552	16,052
Unencumbered Cash, Beginning	<u>500</u>	<u>30,452</u>	<u>29,952</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 46,004</u>	<u>\$ 46,004</u>

See notes to financial statements.

ROSE HILL PUBLIC LIBRARY
Notes to Financial Statements
December 31, 2010

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Rose Hill Public Library (The Library) is presented to assist in understanding the Library's financial statements. The financial statements and notes are representations of the Library's management, who is responsible for their integrity and objectivity. These accounting policies conform to a comprehensive basis of accounting other than generally accepted accounting principles.

Reporting Entity

Rose Hill Public Library is a component unit of the City of Rose Hill, Kansas. The Library is governed by a six-member board of trustees appointed by the Mayor and approved by the Rose Hill City Council. The Library taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. Acquisition or disposition of real property must have approval of the City Council. Due to the significance of its operational and financial relationship with the City, the Rose Hill Public Library, is a component unit of the City of Rose Hill, Kansas.

Basis of Presentation

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Library for the year 2010:

Governmental Fund Types

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund. All resources of the Library are accounted for in the General Fund.

Basis of Accounting

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund increases. Cash disbursements are recognized when the cash balance of a fund is decreased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed contracts for goods and services, and are usually evidenced by a purchase order or written contract.

ROSE HILL PUBLIC LIBRARY
Notes to Financial Statements
December 31, 2010

1. Summary of Significant Accounting Policies (continued)

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. General fixed assets that account for the land, buildings and equipment owned by the Library are not presented in the financial statements.

Budgetary Principles

The Library is required by State statute to adopt annual budgets, via the City of Rose Hill, on or before August 25 for the ensuing year. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in the local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing
4. Adoption of the final budget on or before August 25th.

Budgeted revenue and expenditure amounts represent the original budget adopted by the Board of Trustees and the City of Rose Hill. Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Management has the authority to exceed line item budget; however, total fund expenditures cannot exceed the adopted budget of expenditures of individual funds.

Risk Management

The Library is exposed to various risks for loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance for all risks of loss.

ROSE HILL PUBLIC LIBRARY
Notes to Financial Statements
December 31, 2010

2. Cash and Certificates of Deposit

The carrying amount of the Library's cash at December 31, 2010 was \$46,004 and the bank statement balances were \$46,538. Differences between the carrying amounts and the bank statement balances were deposits in transit and outstanding checks.

Applicable state statutes authorize the Library to invest in (1) temporary notes or no-fund warrants issued by the governmental unit; (2) time deposit, open accounts or certificates of deposit, with maturities of not more than two years, in commercial banks; (3) time certificates of deposit, with maturities of not more than two years, with state or federally chartered savings and loan associations or federally chartered savings banks; (4) repurchase agreements with commercial banks, state or federally chartered savings and loan associations or federally chartered savings banks; (5) United States treasury bills or notes with maturities as the governing body shall determine, but not exceeding two years; (6) the municipal investment pool maintained by the state Treasurer's office; and (7) trust departments of commercial banks.

All of the Library's cash was Category 1 for risk purposes.

3. Compliance with Kansas Law

Management is not aware of any statutory violations for the year 2010.